

MT LEGISLATIVE HISTORY

Chapter 118 1985

Bill H 96 S _____

Original bill & hist. ✓ C

H. Committee on Bus & Lab.

S. Committee on Tax

Hearing Date(s) 1/16 _____ C

Hearing Date(s) 2-4 no minutes

re-referred to: Natural Resources

referred back to 1/18 _____ C
Bus & Labor Comm. from 1/19 _____ C
Floor 1/21 _____ C

2/13 _____ C

3/6 _____ C

Date Out 1/21 _____ C

3/6 _____ C

Did this bill originate in an interim committee? ____ Yes ____ No

Committee _____

Report _____

HOUSE FINAL STATUS

1/08	COMMITTEE REPORT-BILL DO PASS		
1/08	STATEMENT OF INTENT ATTACHED		
1/10	FISCAL NOTE REQUESTED		
1/10	2ND READING PASS	99	0
	STATEMENT OF INTENT AMENDED		
1/12	3RD READING PASS	93	0
	TRANSMITTED TO SENATE		
1/14	REFERRED TO HIGHWAYS & TRANSPORTATION		
1/15	FISCAL NOTE RECEIVED		
2/07	HEARING		
2/08	COMMITTEE REPORT-BILL CONCURRED		
2/11	2ND READING CONCURRED	50	0
2/13	3RD READING CONCURRED	50	0
	RETURNED TO HOUSE		
2/16	SIGNED BY SPEAKER		
2/16	SIGNED BY PRESIDENT		
2/18	TRANSMITTED TO GOVERNOR		
2/21	SIGNED BY GOVERNOR		
	CHAPTER NUMBER 32	EFFECTIVE DATE:	2/21/85

HB 95 INTRODUCED BY RAMIREZ, SPAETH, ET AL.
LIMITING TIME WHEN BAD FAITH ACTION AGAINST INSURER
CAN BE COMMENCED

1/07	INTRODUCED		
1/07	REFERRED TO JUDICIARY		
1/16	HEARING		
2/23	ADVERSE COMMITTEE REPORT		
2/25	OBJECTION TO ADVERSE COMMITTEE REPORT		
2/27	2ND READING PASS AS AMENDED	94	5
2/27	ON MOTION RULES SUSPENDED		
	PLACED ON 3RD READING THIS DAY		
2/27	3RD READING PASS	94	6
	TRANSMITTED TO SENATE		
3/05	REFERRED TO JUDICIARY		
3/18	HEARING		
3/25	COMM REPORT-BILL CONCURRED AS AMENDED		
3/27	2ND READING CONCURRED	49	0
3/29	3RD READING CONCURRED	46	3
	RETURNED TO HOUSE WITH AMENDMENTS		
4/02	2ND READING AMENDMENTS CONCURRED	95	1
4/03	3RD READING AMENDMENTS CONCURRED	97	0
4/12	SIGNED BY SPEAKER		
4/12	SIGNED BY PRESIDENT		
4/12	TRANSMITTED TO GOVERNOR		
4/16	SIGNED BY GOVERNOR		
	CHAPTER NUMBER 504	EFFECTIVE DATE:	10/01/85

HB 96 INTRODUCED BY HOLLIDAY
OIL AND GAS OPERATOR MUST PAY INTEREST ON UNPAID
ROYALTIES 60 DAYS AFTER DUE

1/07	INTRODUCED
1/07	REFERRED TO BUSINESS & LABOR

2

HOUSE FINAL STATUS

1/16	HEARING		
1/18	COMMITTEE REPORT-BILL DO PASS		
1/19	REREFERRED TO BUSINESS & LABOR		
1/21	COMMITTEE REPORT-BILL PASS AS AMENDED		
1/24	2ND READING PASS	96	0
1/25	3RD READING PASS	97	0

TRANSMITTED TO SENATE			
1/26	REFERRED TO TAXATION		
2/04	REREFERRED TO NATURAL RESOURCES		
2/13	HEARING		
3/07	COMMITTEE REPORT-BILL CONCURRED		
3/09	2ND READING CONCURRED	48	0
3/12	3RD READING CONCURRED	50	0

RETURNED TO HOUSE			
3/15	SIGNED BY PRESIDENT		
3/16	SIGNED BY SPEAKER		
3/18	TRANSMITTED TO GOVERNOR		
3/20	SIGNED BY GOVERNOR		
CHAPTER NUMBER 118 EFFECTIVE DATE: 10/01/85			

HB 97 INTRODUCED BY GILBERT
COLLECTIVE RATEMAKING FOR INTRASTATE CARRIAGE OF
COMMODITIES

1/07	INTRODUCED		
1/07	REFERRED TO BUSINESS & LABOR		
1/10	FISCAL NOTE REQUESTED		
1/10	REREFERRED TO JUDICIARY		
1/15	FISCAL NOTE RECEIVED		
	DIED IN COMMITTEE		

HB 98 INTRODUCED BY WINSLOW
REMOVE LIMIT ON FEES FOR PARKING ON UNIVERSITY
SYSTEM CAMPUSES

1/07	INTRODUCED		
1/07	REFERRED TO STATE ADMINISTRATION		
1/15	HEARING		
1/17	COMMITTEE REPORT-BILL PASS AS AMENDED		
1/19	2ND READING PASS	78	10
1/21	3RD READING PASS	80	17

TRANSMITTED TO SENATE			
1/22	REFERRED TO STATE ADMINISTRATION		
3/06	HEARING		
3/06	COMMITTEE REPORT-BILL CONCURRED		
3/07	2ND READING CONCURRED	48	0
3/09	3RD READING CONCURRED	44	3

RETURNED TO HOUSE			
3/14	SIGNED BY SPEAKER		
3/14	SIGNED BY PRESIDENT		
3/14	TRANSMITTED TO GOVERNOR		
3/18	SIGNED BY GOVERNOR		
CHAPTER NUMBER 91 EFFECTIVE DATE: 10/01/85			

HOUSE BILL NO. 96
INTRODUCED BY HOLLIDAY

IN THE HOUSE

January 7, 1985	Introduced and referred to Committee on Business and Labor.
January 18, 1985	Committee recommend bill do pass. Report adopted.
January 19, 1985	Bill printed and placed on members' desks.
	On motion, taken from printing and rereferred to Committee on Business and Labor.
January 21, 1985	Committee recommend bill do pass as amended. Report adopted.
January 22, 1985	Bill printed and placed on members' desks.
January 24, 1985	Second reading, do pass.
	Considered correctly engrossed.
January 25, 1985	Third reading, passed.
	Transmitted to Senate.

IN THE SENATE

January 26, 1985	Introduced and referred to Committee on Taxation.
February 4, 1985	On motion, taken from Committee on Taxation and rereferred to Committee on Natural Resources. Motion adopted.
March 7, 1985	Committee recommend bill be concurred in. Report adopted.

March 9, 1985

Second reading, concurred in.

March 12, 1985

Third reading, concurred in.
Ayes, 50; Noes, 0.

Returned to House.

IN THE HOUSE

March 13, 1985

Received from Senate.

Sent to enrolling.

Reported correctly enrolled.

1 HOUSE BILL NO. 96
2 INTRODUCED BY HOLLIDAY
3
4 A BILL FOR AN ACT ENTITLED: "AN ACT TO DECREASE FROM 180
5 DAYS TO 60 DAYS THE NUMBER OF DAYS AFTER THE MARKETING OF
6 OIL AND GAS THAT AN OPERATOR MUST PAY ROYALTIES TO A ROYALTY
7 OWNER BEFORE INCURRING AN ADDITIONAL OBLIGATION TO PAY
8 INTEREST ON THE UNPAID ROYALTIES; AMENDING SECTION
9 82-10-103, MCA."

10
11 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

12 Section 1. Section 82-10-103, MCA, is amended to read:

13 "82-10-103. Obligation to pay royalties as essence of
14 contract -- interest. (1) The obligation arising under an
15 oil and gas lease to pay oil or gas royalties to the royalty
16 owner or his assignee, to deliver oil or gas to a purchaser
17 to the credit of such royalty owner or his assignee, or to
18 pay a portion of the proceeds of the sale of such oil or gas
19 to the royalty owner or his assignee is of the essence in
20 the lease contract.

21 (2) If the operator under an oil and gas lease fails
22 to pay oil or gas royalties to the royalty owner or his
23 assignee within ~~100~~ 60 days after oil or gas produced under
24 the lease is marketed, the unpaid royalties thereafter bear
25 interest, at the maximum rate of interest authorized under

1 31-1-107 from the date due until paid. The operator may
2 remit semiannually to a person entitled to royalties the
3 aggregate of 6 months' royalties whenever the aggregate
4 amount is less than \$50.

5 (3) A royalty owner seeking a remedy for failure to
6 make payments under the lease or seeking such payments under
7 this section shall bring his action in the district court
8 for the county in which the oil or gas well is located, and
9 that court has jurisdiction over any such actions brought
10 under this section. The prevailing party in any proceeding
11 brought under this section is entitled to recover his court
12 costs and reasonable attorney fees.

13 (4) This section does not apply if a royalty owner or
14 his assignee has elected to take his proportionate share of
15 production in kind or whenever there is a dispute as to the
16 title of the minerals or entitlement to royalties, the
17 outcome of which would affect distribution of royalty
18 payments."

-End-

STATUS SHEET

49TH

LEGISLATIVE SESSION

COURTESY OF THE
State Law Library
of MontanaCOMMITTEE ON BUSINESS AND LABORBEST COPY
AVAILABLE

HOUSE BILL NO.	ENTERED COMM.	DATE CONSIDERED	OUT OF COMM.	DO PASS DATE	DO NOT PASS DATE	DO PASS AS AMEND. DATE	BE CON- CURRED IN DATE	BE CONC. IN AS AMENDED DATE	BE NOT CON- CURRED IN DATE
20	1-4	1-8	1-8	1-8					
28	1-4	1-11/1-15	1-15			1-15			
29	1-4	1-8	1-8	1-8					
32	1-4	1-8/1-9	1-9			1-9			
41	1-4	1-9/1-10	1-10	WITHOUT RECOMMENDATION					
43	1-4	1-8/1-15	1-15			1-15			
72	1-4	1-16/1-18	1-18			1-18			
85	1-4	2-13	2-13	2-13					
90	1-4	1-10/1-14/ 2-5			TABLED				
96	1-4	1-16/1-18	1-18	1-18					
referred 96	1-21	1-21	1-21			1-21	(REREFERRED)		
97	1-4		REREFERRED TO JUDICIARY						
107	1-4	1-11/1-15	1-15			1-15			
121	1-7	1-22/1-23 2-22	2-22			2-22			
124	1-9	1-15	1-15	1-15					
127	1-9	1-15/1-23			TABLED				

MINUTES OF THE MEETING
BUSINESS AND LABOR COMMITTEE
MONTANA STATE
HOUSE OF REPRESENTATIVES

January 16, 1985

The subcommittee meeting of the Business and Labor Committee, pertaining to House Bill 127, was called to order by Chairman Bob Bachini on January 16, 1985 at 7:30 a.m. in Room 312-2 of the State Capitol Building, with all members present. The chairman asked that Representative Keyser, Clayton Bain, Chuck O'Reilly and Robert B. Evans meet to discuss the casual employment repealer. After a decision has been made, the above individuals will again meet with the subcommittee. Said meeting will be announced at a later date.

The meeting of the Business and Labor Committee was called to order by Vice-Chairman Les Kitselman on January 16, 1985 at 9:00 a.m. in Room 312-2 of the State Capitol Building.

ROLL CALL: All members were present, with the exception of Representative Robert Ellerd, who was excused by the chairman.

HOUSE BILL NO. 96: Hearing commenced on House Bill No. 96. Representative Gay Holliday, District #31, sponsor of the bill, explained that the purpose of this bill is to reduce from 180 to 60 days the grace period which an oil producer has to make payment of royalties after marketing oil and gas without paying interest in addition to the royalty. Ms. Holliday then distributed to committee members Exhibit 1, which outline the proposed amendments. Exhibit's 2 and 3 offer support from the County Commissioner's and the County Attorney of Musselshell County.

Proponent, Senator Larry Tveit, District #27, has worked with Ms. Holliday on this piece of legislation. The proposed amendments 2, 4 and 5 as shown on Exhibit 1 are unnecessary, stated Senator Tveit. He feels that 120 days after production, is sufficient time to allow an oil company to process the paperwork and pay royalty owners. Due to the computer era and with several oil companies having their bookkeeping systems set up on computers, amendment 1, should call for 120 days after the end of the month on new production.

Proponent Giles Gregoire representing Montana Land and Mineral Owners Association from Havre stated that many of their members have reported delays in receiving royalty checks. He is not aware of interest ever being paid on these delayed payments. The bill does protect the oil and gas industry, added Mr. Gregoire.

Proponent John Vardin of Roundup explained that most royalty payments are paid within 10 - 15 days from the time oil is marketed. He feels that 180 days is too long a period and that 60 days is ample time. The royalty owners do need protection and the 60 day allotment would provide sufficiency without burdening the companies, added Mr. Vardin.

Proponent Jerome Anderson of Billings, representing Shell Gas and Oil Company offered his support of HB 96 as amended. He stressed the importance of adding the language "after the end of the calendar month" as suggested by Senator Tveit.

Proponent Darvin VanDeGraaff, Executive Director of the Montana Petroleum Association is in support of HB 96 as amended.

Opponent Don Lee of Shelby, representing Montana Oil and Gas Association does see a real problem with HB 96, in determining the difference between old oil and new oil. He wonders how the distinction will be made. Mr. Lee's clients do not try to hold royalty money. In most instances when a payment is delayed, it is due to the attorney or title company, not the oil company, explained Mr. Lee.

Representative Driscoll questioned Mr. VanDeGraaff regarding the point made by Mr. Lee regarding old and new oil. Mr. VanDeGrouff explained that the proposed amendments to HB 96 do not address the old and new oil issue.

Representative Kadas asked Mr. VanDeGraaff why a longer period of time is needed for gas? He explained that gas is more complex and there are 23 different price ranges that gas can fall under.

Representative Kadas questioned Paul Verdon, the committee researcher to see if oil and new oil should be defined better in HB 96. Mr. Verdon, replied that the bill concerns the payment of royalties and not the distinction between old and new oil.

Representative Wallin asked Mr. Lee if he would agree with the amendments as proposed and leave the oil and new oil issue out. Mr. Lee was in agreement.

Representative Wallin addressed the same questions to Jerome Anderson. Mr. Anderson did agree and added that the bill does not say old and new, but says "first marketed production".

Representative Wallin asked Representative Holliday if 120 days would do for payment of all royalties, whether it be a first or a subsequent payment. Representative Holliday replied, "no".

Representative Simon questioned Mr. VanDeGraaff regarding the payment of interest. Mr. VanDeGrouff explained that there are problems concerning this. Additional administrative costs and time are the largest problems, added Mr. VanDeGrouff.

Representative Schultz asked Mr. VanDeGrouff where the money goes when the oil is sold and who received the interest from this money until it is distributed to the royalty owners. Mr. VanDeGrouff stated that the money goes into an escrow account. Jerome Anderson explained that an escrow account is not an interest bearing account, to his knowledge, but he would verify this information and get back to the committee.

There being no further discussion by proponents or opponents, all were excused by the vice-chairman and the hearing on House Bill 96 was closed.

Chairman Pavlovich, prior to the hearing on House Bill 132, asked Representative Waldron if he would prefer to present House Bill 132 on January 21st, at which time House Bill 162 will be presented, which Representative Waldron also sponsors. Both of these bills address fire equipment dealers. Representative Waldron and Chairman Pavlovich, decided to proceed as scheduled.

HOUSE BILL NO. 132: Hearing commenced on House Bill No. 132. Representative Waldron, District #58, sponsor of the bill, stated that the purpose of this bill is to repeal section 50-39-101, MCA, which requires a certificate of registration, permit, or license to sell, service, or install fire extinguishers, fire extinguishing systems, fire alarms, or fire alarm systems; and providing an immediate effective date. Representative Waldron explained that the state law requires the fire marshall to register those who sell, install or service fire equipment. It is not necessary to license the people who install the equipment, but necessary to license the equipment. Representative Waldron stated that the fee collected, does not cover the cost of providing this service and thus tax dollars are needed to pick up the difference. Representative Waldron suggested to the committee that they not take any action on this bill until House Bill No. 162 has been heard. Exhibit 4 was distributed to committee members by Representative Waldron.

Proponents Bob Kelly, State Fire Marshall and Mike Walker of the State Fire Marshall's Advisory Board, also asked the committee to defer action on House Bill 132 until House Bill 162 has been heard.

There being no further proponents or opponents, all were excused by the chairman and the hearing on House Bill No. 132,

DAILY ROLL CALL
BUSINESS AND LABOR COMMITTEE

49th LEGISLATIVE SESSION -- 1985

Date Jan. 16, 1985

NAME	PRESENT	ABSENT	EXCUSED
Bob Pavlovich	✓		
Les Kitselman	✓		
Bob Bachini	✓		
Ray Brandewie	✓		
Jan Brown	✓		
Jerry Driscoll	✓		
Robert Ellerd			✓
William Glaser	✓		
Stella Jean Hansen	✓		
Marjorie Hart	✓		
Ramona Howe	✓		
Tom Jones	✓		
Mike Kadas	✓		
Vernon Keller	✓		
Lloyd McCormich	✓		
Jerry Nisbet	✓		
James Schultz	✓		
Bruce Simon	✓		
Fred Thomas	✓		
Norm Wallin	✓		

Amendments to HB 96

- 1) Title, line 5
Following: "60 DAYS"
Insert: "ON OLD PRODUCTION AND 120 DAYS ON NEW PRODUCTION"
- 2) Title, line 8
Following: "ROYALTIES"
Insert: "AND ALLOWING ANNUAL PAYMENT WHEN AGGREGATE DUE IS
LESS THAN \$10"
- 3) Page 1, line 21 through line 24
Following: "(2)"
Strike: all language through "lease" on line 24
Insert: "After production is marketed under an oil and gas
lease, the operator under the lease shall pay
oil and gas royalties to the royalty owner
(a) within 120 days after first marketed production,
and
(b) within 30 days after subsequent production is
marketed; but
(c) after the period specified in subsection (2)(a)
and 60 days after the production covered in
subsection (2)(b)"
- 4) Page 2, line 1
Following: "paid."
Insert: "(3)"
Renumber: subsequent subsections
- 5) Page 2, line 4
Following: "\$50"
Insert: "; and may remit annually to a person entitled
to royalties the aggregate of 12 months' royalties
whenever the aggregate amount is less than \$10"

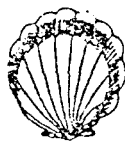
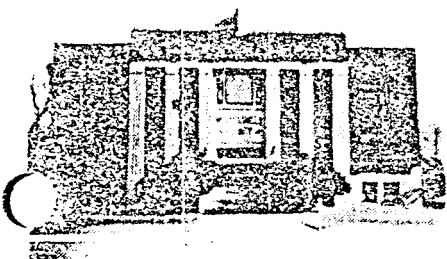


Exhibit 2
January 16, 1985
House Bill 96
Submitted by:
Rep. Holliday

FRANCIS L. DAY
Clerk & Re
WARREN S.
As
CLINTON J. MC
Tre
BRIAN NEID

JOHN L. P.
County At
ALICE JOHN
Clerk of
JOHN
C

IRVING DO
Public Admin
EVELYN HATTERSC
Justice of the

County of Musselshell

ROUNDUP, MONTANA

BOARD OF COUNTY COMMISSIONERS

JACK ELLIS
ROY W. McCAFFREE
HERSHEL M. ROBBINS

January 10, 1985

TO: Honorable chairman and committee on Business and Labor

SUBJECT: House Bill # 96--" an act to decrease from 180 days to 60 days the number of days after marketing of oil and gas that an operator must pay royalties to a royalty owner before incurring interest on the unpaid royalties; amending section 82-10-103 MCA".

We, the Musselshell County Commissioners, do hereby give you our backing and full support on the above captioned bill or as amended for the following reasons:

The oil companies are presently entitled to defer royalty payments for their benefit and to the detriment of state, county, city and other owners in the way of interest earned and lost.

Federal freezes and cutbacks are placing an ever increasing burden on the states, counties and cities.

Sincerely,

Hershel M. Robbins
Hershel M. Robbins, chairman

Roy W. McCaffree
Roy W. McCaffree

Lyle E. Stortz
Lyle Stortz

Exhibit 3
January 16, 1985
House Bill 96
Submitted by:
Rep. Holliday



County of Musselshell

ROUNDUP, MONTANA

January 14, 1985

FRANCIS L. DAWSON
Clerk & Recorder
WARREN SMITH
Assessor
CLINTON J. MOORE
Treasurer
BRIAN NEIDHARDT
Sheriff

JOHN L. PRATT
County Attorney
ALICE JOHNSON
Clerk of Court

JOHN RAE
Coroner

IRVING DODDS
Public Administrator
EVELYN HATTERSCHEID
Justice of the Peace

BOARD OF COUNTY COMMISSIONERS

JACK ELLIS
ROY W. McCAFFREE
HERSHEL M. ROBBINS

Mrs. Gay Holliday
House of Representatives
P. O. Box 60, Capitol Station
Helena, Montana 59620

Re: House Bill 96

Dear Gay:

I'd like to compliment you on your efforts in support of House Bill 96. There is absolutely no legitimate reason to allow the oil producers to sit on the royalty owners money for a period of up to 180 days. The title work is completed by the oil companies before drilling is commenced so by commencement of the well, the oil companies know who the royalty owners are. In the event of production all that needs to be done is to circulate a division order. There is no good reason this can't be accomplished within at least sixty days.

The bill appears to me to be well drafted and I would hate to see any further amendments. I understand that there is already a proposed amendment to increase the proposed time period of sixty days to 120 days for new production. This would be an improvement but I feel that it is unnecessary. The sixty days in your original bill is very realistic.

As you know Musselshell County has numerous royalty interests that provide revenue to the County. I am familiar with these royalty interests and know that there are considerable delays in getting the County of Musselshell its royalty interest. Not only is this a problem for Musselshell County, it is also a problem for the individuals who have royalty interests in producing wells in this area. My partner was just involved in some

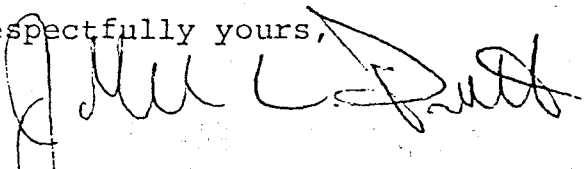
Mrs. Gay Holliday
January 14, 1985
Page Two

litigation in Federal Court where an oil company was withholding royalties from a local royalty owner. The suit was settled and the oil company agreed to pay somewhere in excess of \$100,000.00 in back royalties they had withheld from our client.

Your bill would have been extremely beneficial to the people we represented.

Once again, I would like to compliment you on your efforts on behalf of those who own royalties. It just plain makes good sense to prevent an oil company from sitting on someone else's money for up to six months without any type of penalty whatsoever. Congratulations on a fine bill that is in the public's interest.

Respectfully yours,



JOHN L. PRATT
County Attorney
Musselshell County

JLP:jjk

15

WITNESS STATEMENT

Name Giles Gregoire Committee On Business - Labor
 Address Shamba Rte, Bx 376 - Havre, Mont. 59501 Date Jan. 16, 1985
 Representing Montana Land & Mineral Owners Assoc Support ✓
 Bill No. HB 96 Oppose _____
 Amend _____

AFTER TESTIFYING, PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

1. Most of the area represented by our association is presently involved in the production of natural gas.
2. Many of our members have reported long delays in receiving their royalty checks after all division orders, communication agreements have been completed. I am not aware of any interest having been paid on these delayed payments.
3. This bill appears to protect the oil & gas industry except as Section 4 appears as determining proper ownership & the terms in doing this.
- 4.

Itemize the main argument or points of your testimony. This will assist the committee secretary with her minutes.

VISITOR'S REGISTER

HOUSE Business and Labor

COMMITTEE

BILL House Bill 96

DATE January 16, 1985

SPONSOR Rep. Holliday

[illegible]

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR LONGER FORM.

WHEN TESTIFYING PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

MINUTES OF THE MEETING
BUSINESS AND LABOR COMMITTEE
MONTANA STATE
HOUSE OF REPRESENTATIVES

January 18, 1985

The meeting of the Business and Labor Committee was called to order by Chairman Bob Pavlovich on January 18, 1985, at 9:00 a.m. in Room 312-2 of the State Capitol.

ROLL CALL: All members were present, with the exception of Representative Robert Ellerd and Representative Fred Thomas, who were excused by the chairman.

HOUSE BILL NO. 174: Hearing commenced on House Bill No. 174. Representative Norm Wallin, District #78, sponsor of the bill, stated that the purpose of this bill is to increase to five from three the membership of the Board of Labor Appeals and require that one appointee represent employees and one represent employers. Representative Wallin distributed to committee members Exhibit 1, outlining the proposed amendments. All of the other boards have a larger membership. This increase will not cause a financial burden, the federal government would pay for the expense of the two additional members. The appeals board works approximately two days per month. Representative Wallin stated that in 1982 there were 226 decisions in which 145 were decided against the employer, in 1983 there were 285 decided and 183 against the employer and in 1984 there were 297 decided and 181 against the employer. The unemployment fund is in the red in the approximate amount of 20 million dollars, this deficit is the result of insufficient revenue and policy in granting benefits.

Proponent Forrest Boles, representing the Montana Chamber of Commerce offered his support of House Bill No. 174. Mr. Boles believes that those who receive unemployment, are entitled to these benefits. By passing House Bill No. 174, the employer will be better represented, added Mr. Boles.

Proponent Bob Correa, representing the Bozeman Chamber of Commerce, appeared in support of House Bill No. 174. The owner of Wild West Shirt Company in Bozeman, was not able to be present, and thus Mr. Correa appeared on his behalf. Wild West Shirt Company is a company of approximately 40 employees, with an annual payroll of approximately \$450,000 per year. This company has paid into the unemployment fund approximately \$46,000 and paid out approximately \$6,000. An example of one particular case against Wild West Shirt Company, was explained by Mr. Correa. The initial claim was filed in September, 1982 and through the process of appeals, the court hearing was not until October, 1984. Mr. Correa feels that the additional representation will allow for a more timely and fair decision.

amendments to HB 72 DO PASS. The motion passed unanimously. Representative Brandewie seconded the motion that HB 72 DO PASS AS AMENDED and a unanimous vote was received.

ACTION ON HOUSE BILL NO. 137: Representative Driscoll moved that the proposed amendment DO PASS. Representative Kitselman asked Representative Driscoll if this would result in a loss as far as fiscal impact, to which the answer was yes. Second was received and the amendments PASSED unanimously. Representative Driscoll made a motion that HB 137 DO PASS AS AMENDED. Representative Brandewie seconded and HB 137 PASSED unanimously AS AMENDED.

ACTION OF HOUSE BILL NO. 138: Representative Driscoll made a motion that HB 138 DO NOT PASS. Representative Driscoll explained that he spoke with Home Insurance Company who informed him that they will inspect their insured boilers annually regardless of state law. The inspection performed is a complete and thorough inspection and the department will accept said inspection as long as the inspector is certified.

Representative Kitselman asked Representative Driscoll why Mr. Randy Siemers was opposed to HB 138. Representative Driscoll explained that confusion arose between the terms operator and inspector. An inspector has much more knowledge and experience, added Representative Driscoll.

Representative Hansen asked Representative Driscoll if an inspector will tear the boiler down and how two inspectors can inspect every boiler on an annual basis. Representative Driscoll explained that 3,000 inspections are performed by insurance companies and 1,200 by state inspectors and yes they do tear the boilers down.

Representative Simon added that in some circumstances an operator will have the boiler torn down before the inspector arrives, to help in assisting the inspector.

Representative Brandewie suggested that the department could set chronological age requirements and/or that an inspection could be done by request, if an operator felt it was necessary during the two year period.

Question being called for, Representative Driscoll's motion that HB 138 DO NOT PASS, was carried unanimously.

ACTION ON HOUSE BILL NO. 96: Representative Schultz expressed his concern as to where the interest on the money goes until it is distributed to the royalty owners.

Representative Driscoll questioned the committee regarding the

proposed amendment. If the first months payment is due 120 days after production and the second months payment is due in 60 days, where is the reasoning, asked Representative Driscoll. The second months payment would be due before the first months.

Representative Schultz asked Paul Verdon, the staff researcher, if the wording on page two of the bill, means that if there was any kind of court litigation more time would be allowed for payment. Mr. Verdon did have the same understanding.

Representative Glaser expressed his opposition to the amendments. He felt that the original bill was excellent and that if a payment is more than 60 days late interest should be paid.

Representative Bachini asked Representative Schultz if when an oil contract is signed, it is ever stipulated when and how interest will be paid. Representative Schultz does not think that it is ever done.

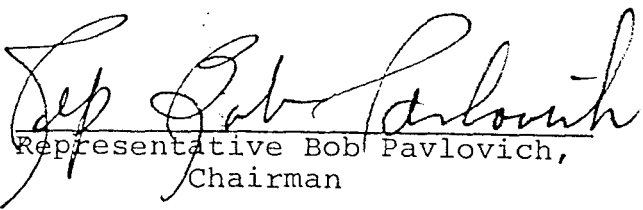
Representative Simon added that a lot of money is at stake and he likes the original bill.

Representative Jones moved that the amendments DO PASS. Question being called, the amendments DO NOT PASS, by unanimous vote.

Representative Brandewie made a motion that HB 96 DO PASS. Second was received and HB 96 PASSED unanimously.

ADJOURN: There being no further business before the committee, the meeting was adjourned at 10:45 a.m.

The Sub-committee considering House Bill No. 127 met immediately following the meeting and amendments are being drawn to be presented to the Business and Labor Committee.


Representative Bob Pavlovich,
Chairman

STANDING COMMITTEE REPORT

January 19, 1985

19

MR. SPEAKER

We, your committee on BUSINESS AND LABOR

having had under consideration HOUSE Bill No. 96

FIRST reading copy (WHITE)
color

OIL AND GAS OPERATOR MUST PAY INTEREST ON UNPAID
ROYALTIES 60 DAYS AFTER DUE

Respectfully report as follows: That HOUSE Bill No. 96

DO PASS

24/18/85-

STATE PUB. CO.
Helena, Mont.

Chairman.

COMMITTEE SECRETARY

DAILY ROLL CALL
BUSINESS AND LABOR COMMITTEE

49th LEGISLATIVE SESSION -- 1985

Date January 18, 1985

NAME	PRESENT	ABSENT	EXCUSED
Bob Pavlovich	✓		
Les Kitselman	✓		
Bob Bachini	✓		
Ray Brandewie	✓		
Jan Brown	✓		
Jerry Driscoll	✓		
Robert Ellerd			✓
William Glaser	✓		
Stella Jean Hansen	✓		
Marjorie Hart	✓		
Ramona Howe	✓		
Tom Jones	✓		
Mike Kadas	✓		
Vernon Keller	✓		
Lloyd McCormich	✓		
Jerry Nisbet	✓		
James Schultz	✓		
Bruce Simon	✓		
Fred Thomas			✓
Norm Wallin	✓		

TWELFTH LEGISLATIVE DAY

Helena, Montana
January 19, 1985

House Chambers
State Capitol

House convened at 9:00 a.m., Mr. Speaker in the Chair. Invocation by the Chaplain. Pledge of Allegiance to the Flag.

Roll call. All members present except Devlin, Ellerd, Keller, Menahan, Miller, Pavlovich, Quilici, Sales, Thomas, Waldron, excused. Quorum present.

Mr. Speaker: We, your Committee on Legislative Administration/Bills and Journal, having examined the daily journal for the eleventh legislative day, find the same to be correct.

Menahan, Chairman

REPORTS OF STANDING COMMITTEES

BILLS (Menahan, Chairman): 1/18/85
Correctly printed: HB 58, HB 93, HB 96, HB 137, HB 150, HB 153, HB 182, HB 187.
Considered correctly engrossed: HB 43.

1/19/85

Correctly printed: HB 143, HB 147, HB 163.

BUSINESS AND LABOR (Pavlovich, Chairman): 1/18/85
HB 72, introduced bill, be amended as follows:

1. Title, line 6.
Following: "AMENDING"
Strike: "SECTION"
Insert: "SECTIONS 33-20-109 AND"

2. Page 4, line 13.
Following: line 12
Insert: "(8) The substance of the pertinent provisions of subsections (1) and (3) must be set forth in the policies to which they apply."
Renumber: subsequent subsection

3. Page 5, line 10.
Following: line 9
Insert: "Section 6. Section 33-20-109, MCA, is amended to read:

"33-20-109. Policy loan. (1) There Except as provided in [sections 1 through 5], there shall be a provision that after 3 full years' premiums have been paid and after the policy has a cash surrender value and while no premium is in default beyond the grace period for payment, the insurer will advance, on proper assignment or pledge of the policy and on the sole security thereof, at a specified rate of interest not exceeding 6% a year, an amount equal to or, at the option of the party entitled thereto, less than the loan value of the policy. The commissioner may authorize a rate of interest in excess of 6%, but not in excess of 8% a year (or 7.4% if payable annually in advance), for policies issued on or after January 1, 1980, if the insurer provides adequate written certification that the holders of such policies will benefit fully from the increased earnings of the insurer resulting from the use of an interest rate in excess of the 6% per annum, such as from higher interest income to the company on policy loans, higher investment yield resulting from a reduction in

policy loans because of the higher policy loan interest rate, and any additional income to the company resulting from the use of such higher interest rate in any manner whatsoever. These benefits to the policyholder shall be reflected through higher dividends or lower premiums, or both. The loan value of the policy shall be at least equal to the cash surrender value at the end of the then current policy year, provided that the insurer may deduct, either from such loan value or from the proceeds of the loan, any existing indebtedness not already deducted in determining such cash surrender value including any interest then accrued but not due, any unpaid balance of the premium for the current policy year, and interest on the loan to the end of the current policy year unless the policyowner by written notice to the insurer elects to defer payment of interest until it has accrued. The policy may also provide that if interest on any indebtedness is not paid when due it shall then be added to the existing indebtedness and shall bear interest at the same rate, and that if and when the total indebtedness on the policy, including interest due or accrued, equals or exceeds the amount of the loan value thereof, then the policy shall terminate and become void. The policy shall reserve to the insurer the right to defer the granting of a loan, other than for the payment of any premium to the insurer, for 6 months after application therefor. The policy, at the insurer's option, may provide for automatic premium loan, subject to an election of the party entitled to elect.

(2) This section shall not apply to term policies or to term insurance benefits provided by rider or supplemental policy provisions or to industrial life insurance policies.””

Renumber: subsequent sections

And, as amended, do pass. Report adopted.

HB 96, do pass. Report adopted.

HB 137, introduced bill, be amended as follows:

1. Page 2, line 15.
Following: “within”
Strike: “18”
Insert: “24”

And, as amended, do pass. Report adopted.

Adverse Committee Report

HB 138, do not pass.

HUMAN SERVICES AND AGING (Keenan, Chairman): 1/18/85

HB 182, do pass. Report adopted.

SJR 1, be concurred in. Report adopted.

STATE ADMINISTRATION (Sales, Chairman): 1/18/85

HB 143, do pass. Report adopted.

HB 147, introduced bill, be amended as follows:

1. Page 1, line 14.
Strike: “\$100,000”
Insert: “\$75,000”
2. Page 1, line 16.
Strike: “\$100,000”
Insert: “\$75,000”

And, as amended, do pass. Report adopted.

MOTIONS

Representative Pistoria moved that HB 263 be taken from the Committee on Local Government and rereferred to the Committee on Business and Labor. Motion carried.

Representative Marks moved that SB 26 be taken from the Committee on State Administration and rereferred to the Committee on Judiciary. Motion carried.

Representative Kitselman moved that HB 96 be taken from printing and referred to the Committee on Business and Labor. Motion carried.

Representative Eudaily moved that consideration of HB 9, second reading today, be passed for the day. Motion carried.

FIRST READING AND COMMITMENT OF BILLS AND RESOLUTIONS

The following House bills were introduced, read first time, and referred to committees:

- HB 266**, introduced by Harbin, (By Request of the Department of Administration). Referred to Committee on State Administration.
- HB 267**, introduced by Harbin, (By Request of the Department of Administration). Referred to Committee on Education and Cultural Resources.
- HB 268**, introduced by Harbin, (By Request of the Department of Administration). Referred to Committee on State Administration.
- HB 269**, introduced by Abrams, Garcia, Krueger, Miles, Moore, Zabrocki, Manuel, Hart, Holliday. Referred to Committee on State Administration.
- HB 270**, introduced by Marks, Harper, Haffey, Fuller, Menahan, Donaldson, Keenan. Referred to Committee on State Administration.
- HB 271**, introduced by Schye, H. Hammond. Referred to Committee on Human Services and Aging.
- HB 272**, introduced by Wallin, (By Request of the Department of Labor and Industry). Referred to Committee on Business and Labor.
- HB 273**, introduced by Pistoria. Referred to Committee on Business and Labor.
- HB 274**, introduced by Holliday. Referred to Committee on State Administration.
- HB 275**, introduced by Cobb. Referred to Committee on Judiciary.
- HB 276**, introduced by Bradley, Miller, Spaeth, Brandewie. Referred to Committee on Judiciary.
- HB 277**, introduced by Manuel, (By Request of the Board of Crime Control). Referred to Committee on State Administration.
- HB 278**, introduced by Menahan, Pavlovich, Quilici, Driscoll, Lynch, Keenan. Referred to Committee on Business and Labor.
- HB 279**, introduced by Kitselman, Abrams, Hager, Thoft. Referred to Committee on Local Government.
- HB 280**, introduced by Bergene, (By Request of the Board of Pharmacy). Referred to Committee on Business and Labor.
- HB 281**, introduced by Williams, Keenan. Referred to Committee on State Administration.
- HB 282**, introduced by Menahan, Quilici, Rapp-Svrcek, Brandewie, Keenan, Pavlovich, Harrington, D. Brown, Harp. Referred to Committee on Fish and Game.
- HB 283**, introduced by O'Connell, J.K. Moore, Keyser, Pistoria, Connelly, C. Smith, Blaylock, Lybeck, Zabrocki, Montayne, Pavlovich, Lynch, Harding, E. Smith, Hirsch, Boylan, Jacobson, H. Hammond.

APPROVED BY COMM. ON
BUSINESS AND LABOR1 HOUSE BILL NO. 962 INTRODUCED BY HOLLIDAY

3
4 A BILL FOR AN ACT ENTITLED: "AN ACT TO DECREASE FROM 180
5 DAYS TO 60 DAYS THE NUMBER OF DAYS AFTER THE MARKETING OF
6 OIL AND GAS THAT AN OPERATOR MUST PAY ROYALTIES TO A ROYALTY
7 OWNER BEFORE INCURRING AN ADDITIONAL OBLIGATION TO PAY
8 INTEREST ON THE UNPAID ROYALTIES; AMENDING SECTION
9 82-10-103, MCA."

10

11 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

12 Section 1. Section 82-10-103, MCA, is amended to read:

13 "82-10-103. Obligation to pay royalties as essence of
14 contract -- interest. (1) The obligation arising under an
15 oil and gas lease to pay oil or gas royalties to the royalty
16 owner or his assignee, to deliver oil or gas to a purchaser
17 to the credit of such royalty owner or his assignee, or to
18 pay a portion of the proceeds of the sale of such oil or gas
19 to the royalty owner or his assignee is of the essence in
20 the lease contract.

21 (2) If the operator under an oil and gas lease fails
22 to pay oil or gas royalties to the royalty owner or his
23 assignee within ~~180~~ 60 days after oil or gas produced under
24 the lease is marketed, the unpaid royalties thereafter bear
25 interest, at the maximum rate of interest authorized under

1 31-1-107 from the date due until paid. The operator may
2 remit semiannually to a person entitled to royalties the
3 aggregate of 6 months' royalties whenever the aggregate
4 amount is less than \$50.

5 (3) A royalty owner seeking a remedy for failure to
6 make payments under the lease or seeking such payments under
7 this section shall bring his action in the district court
8 for the county in which the oil or gas well is located, and
9 that court has jurisdiction over any such actions brought
10 under this section. The prevailing party in any proceeding
11 brought under this section is entitled to recover his court
12 costs and reasonable attorney fees.

13 (4) This section does not apply if a royalty owner or
14 his assignee has elected to take his proportionate share of
15 production in kind or whenever there is a dispute as to the
16 title of the minerals or entitlement to royalties, the
17 outcome of which would affect distribution of royalty
18 payments."

-End-

SECOND READING

HB 96

MINUTES OF THE MEETING
BUSINESS AND LABOR COMMITTEE
MONTANA STATE
HOUSE OF REPRESENTATIVES

January 21, 1985

The meeting of the Business and Labor Committee was called to order by Vice-Chairman Les Kitselman on January 21, 1985 at 9:00 a.m. in Room 312-2 of the State Capitol.

ROLL CALL: All members were present.

HOUSE BILL NO. 189: Hearing commenced on House Bill No. 189. Representative Bob Ream, District #54, sponsor of the bill, stated that the purpose of this bill is to amend the Hazardous Waste Management Act to provide that the Department of Health and Environmental Sciences may not adopt rules that are more restrictive than those under the federal Resource Conservation and Recovery Act of 1976 except that transporters of hazardous waste may be required to register with the state and that reports from generators and facilities may be required annually rather than biennially. Representative Ream distributed to committee members a Statement of Intent attached hereto as Exhibit 1.

Proponent Roger Thorvilson, representing the State Department of Health, stated that the existing situation in Montana is that they register transporters in the same manner as would the EPA if they were running the program. All transporters whose headquarters are in Montana have registered with the department. Transporters who do not have headquarters in Montana, register in their respective states. The only way the department has of knowing that these companies are actually doing business in Montana is the year after they have engaged in business, the department will find out through the annual report received from the examiners.

Proponent George Ochensky of the Environmental Information Center offered his support of House Bill 189. He explained that it is important for the state to account for the hazardous waste being brought into the state.

Representative Wallin questioned Representative Ream as to the impact House Bill 189 would have on crop sprayers. Representative Ream referred the question to Mr. Thorvilson, who commented that the crop sprayers would not be affected at all.

Representative Simon asked Mr. Thorvilson how the reported information is used. Mr. Thorvilson explained that it helps to know where businesses are located for inspection purposes and to keep a closer tab on the hazardous waste material in the state.

Representative Kadas asked Mr. Ashley how House Bill 195 will affect modular homes. Mr. Ashley stated that the department will continue to register modular homes.

There being no further discussion by proponents or opponents, all were excused by the chairman and the hearing on House Bill 195 was closed.

ACTION ON HOUSE BILL NO. 96: Exhibit 4 was distributed by committee members with the proposed amendments. Representative Kitselman made a motion that House Bill 96 DO PASS and the proposed amendments to House Bill 96 DO PASS. The amendments were passed with Representative Kadas and Representative Glaser, voting no. Representative Kitselman's DO PASS AS AMENDED motion was seconded and carried unanimously.

ACTION ON HOUSE BILL NO. 195: Representative Brandewie moved that the Statement of Intent be adopted. Second was received and PASSED unanimously. Representative Brandewie made a motion that House Bill 195 DO PASS with the Statement of Intent. Second was received and House Bill 195 PASSED unanimously.

ACTION ON HOUSE BILL NO. 174: Representative Wallin moved the amendments and explained that this change would comply with the federal ruling. The amendments PASSED unanimously. Representative Wallin then moved that House Bill 174 DO PASS AS AMENDED, and added that any cost due to the passage of House Bill 174 would be born by the federal government.

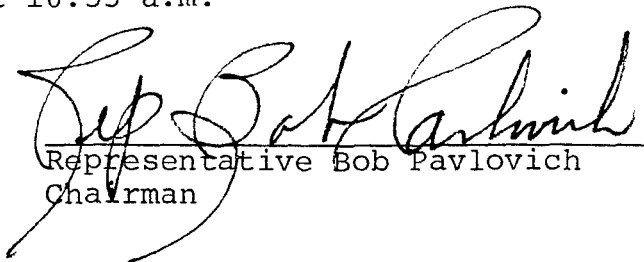
Representative Driscoll commented that he does not see any need for this increase.

Representative McCormick asked what would be gained by the increase. He sees the increase costing more money.

Representative Pavlovich asked Representative Wallin if the employer placed on the board, would be a small businessman. Representative Wallin said that that is the intent.

Question being called for, a roll call vote was taken on Representative Wallin's motion that House Bill 174 DO PASS AS AMENDED, with 12 members voting yes and 8 members voting no.

ADJOURN: There being no further business before the committee, the meeting was adjourned at 10:55 a.m.


Representative Bob Pavlovich
Chairman

Amendments to HB 96 (yellow copy)

1. Title, lines 4 and 5.

Following: "DECREASE" on line 4

Strike: "FROM" through "DAYS" on line 5

2. Page 1, line 23.

Strike: "60"

Insert: "120"

Following: "after"

Insert: "the initial"

3. Page 1, line 24.

Following: "marketed"

Insert: "and within 60 days for all oil and 90 days for all
gas produced and marketed thereafter"

Following: "royalties"

Strike: "thereafter"

Insert: "will"

4. Page 2, line 4.

Following: "\$50"

Insert: "and annually whenever the aggregate amount is less
than \$10"

HB-96 - Oil and Gas Royalties

Section 1.

Page 1, Line 21-25.

Page 2, Line 1-4.

(2) If the operator under an oil and gas lease fails to pay oil or gas royalties to the royalty owner or his assignee within 120 days after the initial oil or gas produced under the lease is marketed and within 60 days for all oil and 90 days for all gas produced and marketed thereafter, the unpaid royalties will bear interest, at the maximum rate of interest authorized under 31-1-107 from the date due until paid. The operator may remit semiannually to a person entitled to royalties the aggregate of 6 months' royalties whenever the aggregate amount is less than \$50, and annually when the aggregate amount is less than \$10.

DAILY ROLL CALL
BUSINESS AND LABOR COMMITTEE

49th LEGISLATIVE SESSION -- 1985

Date 1-31-85

NAME	PRESENT	ABSENT	EXCUSED
Bob Pavlovich	✓		
Les Kitselman	✓		
Bob Bachini	✓		
Ray Brandewie	✓		
Jan Brown	✓		
Jerry Driscoll	✓		
Robert Ellerd	✓		
William Glaser	✓		
Stella Jean Hansen	✓		
Marjorie Hart	✓		
Ramona Howe	✓		
Tom Jones	✓		
Mike Kadas	✓		
Vernon Keller	✓		
Lloyd McCormich	✓		
Jerry Nisbet	✓		
James Schultz	✓		
Bruce Simon	✓		
Fred Thomas	✓		
Norm Wallin	✓		

STANDING COMMITTEE REPORT

January

1955

SPEAKER

MR.

BUSINESS AND LABOR

We, your committee on

having had under consideration HOUSE Bill No. 96

FIRST

reading copy (WHITE
color)

OIL AND GAS OPERATOR MUST PAY INTEREST ON UNPAID
ROYALTIES 60 DAYS AFTER DUE

Respectfully report as follows: That HOUSE Bill No. 96

BE AMENDED AS FOLLOWS:

1. Title, lines 4 and 5
Following: "DECREASE" on line 4
Strike: "FROM" through "60 DAYS" on line 5
2. Page 1, line 23
Strike: "60"
Insert: "120"
Following: "after"
Insert: "the initial"

DO PASS

32

3. Page 1, line 24
Following: "marketed"
Insert: "and within 60 days for all oil and 90 days for all
gas produced and marketed thereafter"
Following: "royalties"
Strike: "thereafter"
Insert: "will"
4. Page 2, line 4
Following: "\$50"
Insert: "and annually whenever the aggregate amount is less
than \$10"

AND AS AMENDED,
DO PASS

APPROVED BY COMM. ON
BUSINESS AND LABOR

HOUSE BILL NO. 96

INTRODUCED BY HOLLIDAY

A BILL FOR AN ACT ENTITLED: "AN ACT TO DECREASE FROM--180
DAYS--TO--60--DAYS THE NUMBER OF DAYS AFTER THE MARKETING OF
OIL AND GAS THAT AN OPERATOR MUST PAY ROYALTIES TO A ROYALTY
OWNER BEFORE INCURRING AN ADDITIONAL OBLIGATION TO PAY
INTEREST ON THE UNPAID ROYALTIES; AMENDING SECTION
82-10-103, MCA."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 82-10-103, MCA, is amended to read:

"82-10-103. Obligation to pay royalties as essence of
contract -- interest. (1) The obligation arising under an
oil and gas lease to pay oil or gas royalties to the royalty
owner or his assignee, to deliver oil or gas to a purchaser
to the credit of such royalty owner or his assignee, or to
pay a portion of the proceeds of the sale of such oil or gas
to the royalty owner or his assignee is of the essence in
the lease contract.

(2) If the operator under an oil and gas lease fails
to pay oil or gas royalties to the royalty owner or his
assignee within ~~180~~ 60 120 days after THE INITIAL oil or gas
produced under the lease is marketed AND WITHIN 60 DAYS FOR
ALL OIL AND 90 DAYS FOR ALL GAS PRODUCED AND MARKETED

THEREAFTER, the unpaid royalties thereafter WILL bear
interest, at the maximum rate of interest authorized under
31-1-107 from the date due until paid. The operator may
remit semiannually to a person entitled to royalties the
aggregate of 6 months' royalties whenever the aggregate
amount is less than \$50 AND ANNUALLY WHENEVER THE AGGREGATE
AMOUNT IS LESS THAN \$10.

(3) A royalty owner seeking a remedy for failure to
make payments under the lease or seeking such payments under
this section shall bring his action in the district court
for the county in which the oil or gas well is located, and
that court has jurisdiction over any such actions brought
under this section. The prevailing party in any proceeding
brought under this section is entitled to recover his court
costs and reasonable attorney fees.

(4) This section does not apply if a royalty owner or
his assignee has elected to take his proportionate share of
production in kind or whenever there is a dispute as to the
title of the minerals or entitlement to royalties, the
outcome of which would affect distribution of royalty
payments."

-End-

34

CHAIRMAN--TOWE, TOM

NORMAL SCHEDULE==> SITE: ROOM 413/415

DAYS: M-TU-W-TH-F

TIME: 8:00-10:00 A.M.

SECRETARY--AAGENES, NANCY

--BILL NO--	REFER DATE	HEARING DATE	CONSIDERATION DATES	COMMITTEE ACTION	REREFERRED TO COMM	DATE OUT
HB0056 GILBERT, BOB	1/14	1/18	1/18 1/22 REDUCE RECORD RETENTION PERIOD RELATING TO SPECIAL FUEL	CONCUR AS AMENDED		1/22
HB0096 HOLLIDAY, GAY	1/26		4/ Re-referred ~~to~~ Natural Resources OIL AND GAS OPERATOR MUST PAY INTEREST ON UNPAID ROYALTIES 60 DAYS AFTER DUE		NATURAL RESOURCES	
HB0101 BROWN, DAVE	2/12	3/08	3/19, 3/20, 3/27 REVISION OF MOTORCYCLE LAWS IMPOSING A FEE IN LIEU OF TAX ON MOTORCYCLES	CONCUR AS AMENDED		3/27
HB0105 MARKS, ROBERT L. (BOB)	2/09	3/08	3/18 REQUIRE STAB TO DECIDE APPEALS WITHIN 90 DAYS OR PAYMENT OF SALARY WITHHELD	ADVERSE REPORT		3/18
HB0122 BROWN, DAVE	2/11	3/08	3/11, 4/5, 4/17 REVISE TAX INCENTIVE FOR NEW OR EXPANDING INDUSTRY	TABLED		4/5
HB0140 ASAY, TOM	1/29	2/15	PRORATION OF TAXES ON MOBILE HOMES ASSESSED AFTER SECOND PAYMENT DATE	CONCUR		2/15
HB0154 PISTORIA, PAUL G.	1/29	2/15	REPEAL OF THE MONTANA ECONOMIC LAND DEVELOPMENT ACT	CONCUR		2/15
HB0168 DONALDSON, GENE	2/13	3/21	3/27, 4/5, 4/9 TO REQUIRE CAPITALIZATION OF NET INCOME METHOD FOR VALUING AG LANDS	CONCUR AS AMENDED		4/9
HB0171 SWITZER, L. DEAN	2/13	3/07	3/9 INCREASED INTEREST ON DELINQUENT PROPERTY TAXES	CONCUR		3/9
HB0172 SANDS, JACK	1/28	2/08	2/15 "LEASEHOLD IMPROVEMENTS" CLARIFIED FOR TAXATION PURPOSES	TABLED		2/15
HB0176 BARDANOUVE, FRANCIS	1/29	2/15	AUTHORIZE PAYMENT OF COSTS RELATED TO TAX ANTICIPATION NOTES	CONCUR		2/15

35

That SJR 3 be further amended as follows:

1. Page 34, line 25.

Strike: "50TH"

Insert: "60TH"

2. Page 35, line 2.

Strike: "50TH"

Insert: "60TH"

And that this conference committee report be adopted.

For the Senate:

Van Valkenburg, Chairman
Christiaens
Stephens

For the House:

Ramirez, Chairman
Marks
Harper

MESSAGES FROM THE HOUSE OF REPRESENTATIVES

House bills passed and transmitted to the Senate for concurrence: 2/4/85

HB 70, introduced by Hand

HB 169, introduced by Donaldson

HB 175, introduced by Kadas

HB 213, introduced by J. Brown

HB 216, introduced by J. Moore

HB 217, introduced by J. Moore

HB 223, introduced by Ramirez

HB 233, introduced by Grady

HB 257, introduced by Harper

HB 258, introduced by Cohen

HB 260, introduced by Bardanouve

HB 267, introduced by Harbin

HB 280, introduced by Bergene

HB 285, introduced by Lory

HB 316, introduced by Krueger

HB 350, introduced by Schultz

HB 425, introduced by Spaeth

MOTIONS

Senator Tveit moved that HB 96 be taken from the Committee on Taxation and that it be rereferred to the Committee on Natural Resources. Motion carried unanimously.

FIRST READING OF BILLS

The following Senate bills were introduced, read first time, and referred to committees:

SB 313 introduced by Daniels. Referred to Committee on Judiciary

34

STATUS SHEET

Natural Resources

COMMITTEE

49th LEGISLATURECOURTESY OF THE
State Law Library
of Montana

Bill No.	Subject Matter	Date In	Sponsor	Hearing Date	Committee Action	Date Out
HB96	OIL AND GAS OPERATOR MUST PAY INTEREST	2/5	HOLLIDAY	2/13 3/6	BE CONCURRED IN	3/6
HB232	WATER AND/OR SEWER DISTRICT COMM'R ELECTION	2/11	BARDAN- OUVE	3/6	BE CONCURRED IN	3/6
HB336	REMOVE ANNUAL REPORTING REQUIRE- MENT OF NW PLANNING COUNCIL	2/8	QUILICI	3/6	BE CONCURRED IN	3/6
HB396	DNRC TO DETERMINE WHEN APPLICATION FOR WATER PERMIT NOT IN GOOD FAITH	3/5	SPAETH	3/25	BE CONCURRED IN	3/25

MINUTES OF THE MEETING
SENATE NATURAL RESOURCES COMMITTEE
MONTANA STATE SENATE
February 13, 1985

The seventh meeting of the Senate Natural Resources Committee was called to order at 12:35 p.m., February 13, 1985, by Chairman Dorothy Eck in Room 405, State Capitol Building.

ROLL CALL: All members of the Senate Natural Resources Committee were present.

CONSIDERATION OF HB96: Representative Holliday, sponsor of HB96, opened the hearing by stating HB96 is a self-explanatory piece of legislation that establishes the time period for when an operator must pay interest on delinquent royalty payments. Representative Holliday submitted testimony supporting the extension of the time limit from 60 days to 120 days (Exhibit 1).

PROPOSERS: Senator Stimatz removed himself from the committee for purposes of testifying. Senator Stimatz explained that HB96 shortens from 180 days to 120 days the time an oil and gas operator has to pay royalties to the royalty owner before the oil and gas operator must start paying interest. Senator Stimatz stated the oil and gas companies do not oppose this bill.

There being no further proponents and no opponents, the hearing was opened to questions from the committee.

Senator Shaw questioned the use of 31-1-107 on page 2, line 3. Representative Holliday explained this was a reference to the Montana Code Annotated, (MCA), and the maximum rate of interest allowed is the prime interest rate established in New York City.

Senator Gage stated he is concerned about the 120 limit because, on occasion, 120 days will not be sufficient. An example of this is when division orders are not received within the 120-day limit. Representative Holliday stated this case would come under the exemptions provided on page 2, lines 16-21, and felt this would not be a problem.

Chairman Eck questioned Representative Holliday as to whether the title of the bill accurately reflects the bill's purpose. Senator Holliday pointed out that it does, and noted the "180 days" is easy to read as "100-days." Mr. Bob Thompson stated that, in his opinion, the title of the bill generally reflects the bill's purpose.

There being no further questions from the committee, the hearing on HB96 was closed.

CONSIDERATION OF HB258: Due to the absence of Representative Cohen, sponsor of HB258, Senator Harding opened the hearing. Senator Harding explained SB258 adds an ex officio member to the Flathead Basin Commission. This will increase the number of members from 15 to 16. HB258 provides that the ex officio member must be the Director of the Department of Health and Environmental Sciences or his designee.

PROPOSERS: Mr. George Ochenski, representing the Environmental Information Center, supports HB258. Mr. Ochenski feels the passage of this bill will help coordinate agency activities.

There being no further proponents and no opponents, the hearing was opened to questions from the committee.

Senator Mohar asked how often the Flathead Basin Commission meets. Mr. Ochenski replied the Commission is just getting started and has not had an opportunity to determine a set schedule of meetings. Senator Gage stated it was his understanding the Commission met twice last year.

Upon question from Senator Tveit, Mr. Ochenski stated the Director of Health and Environmental Sciences is desired for membership because the Department would then know the Commission's concerns as they relate to health issues in the Flathead Basin.

Chairman Eck stated one of the major concerns of the Commission is water quality. Chairman Eck believes the Commission feels the Department is not as sensitive to the issue of water quality as it should be.

Senator Gage asked about the status of an ex officio member. Mr. Ochenski stated this enables the Director to send someone in his place if he could not attend the meeting. Senator Shaw did not understand why ex officio was used, since an ex officio officer is an officer who cannot vote. Chairman Eck explained that when a member of the administration becomes involved with a group of local people, he usually serves as an ex officio member. Senator Gage pointed out the same is not true for the staff person on the Commission from the Governor's office. Chairman Eck feels both of these should be ex officio members.

Senator Fuller stated the use of capital letters to replace lowercase letters for the subsection numbers throughout was inappropriate.

determined the system cannot be set up. The money from the Legacy Program will be used only for construction of the system and not operation.

Upon question from Senator Halligan, Mr. Robertson explained the fee schedule will be based on the amount of hazardous waste disposed of as well as the degree to which the waste is deemed to be hazardous.

Upon question from Senator Gage, Mr. Robertson stated the fees collected will also be returned to the Legacy Program.

Mr. Robertson stated one of the waste materials from service stations that is now hazardous is used oil. In the past, used oil was used to suppress dust on dirt roads; however, Mr. Robertson believes this use will soon be prohibited. Mr. Robertson also stated prohibiting the use of old oil will mostly affect commercial businesses rather than ranchers.

Upon question from Senator Weeding, Mr. Robertson stated that farm chemical containers would be exempt from hazardous waste laws, unless they still contain chemicals.

Mr. Robertson informed Senator Tveit it would be three or four years until Montana has the need to construct a hazardous waste disposal unit.

Mr. Robertson explained to the committee that if the Legacy Program does not get established, they will be forced to work with private individuals who have to ship hazardous waste out of state to set up a transfer station.

Representative Hager closed the hearing by reminding the committee that hazardous waste does not in any way include nuclear waste.

FURTHER CONSIDERATION OF HB96: Several persons wishing to testify on HB96 were unaware the meeting started at 12:30 p.m. Accordingly, Chairman Eck reopened the hearing on HB96.

PROPONENTS: Mr. Jerome Anderson, representing Shell Oil, feels the language used in the House of Representatives is confusing. Mr. Anderson suggested amending page 2, line 21, of HB96. Chairman Eck informed Mr. Anderson Representative Holliday had already proposed this amendment to the committee.

Mr. Darwin VanDeGraaff, representing the Montana Petroleum Association, agrees with the House amendments and feels HB96 will provide for timely payments of royalties.

Minutes of the Meeting
February 13, 1985
Page 6

There being no further proponents to HB96, the hearing was opened to opponents.

Mr. Pat Melby, representing the Montana Oil and Gas Association, stated that occasionally, the royalty owner cannot be determined. Mr. Melby is not convinced subsection (4) provides for this exception. Mr. Melby is concerned royalties will not be paid in a timely fashion if the developer is not certain about to whom the royalties are to be paid. Mr. Melby submitted proposed amendments (Exhibit 2).

There being no further opponents, the hearing was opened to questions from the committee.

Upon question from Senator Shaw, Mr. Melby stated this situation occurs quite frequently. Senator Gage added it happens more with gas exploration than with oil exploration.

There being no further questions from the committee, the hearing on HB96 was closed.

ACTION ON SB273: Senator Christiaens moved that SB273 DO PASS. The motion carried.

FURTHER CONSIDERATION OF SB272: Mr. Pete Gross, who was unable to attend the hearing on SB272, offered to answer any questions the committee had regarding the development of water projects. The hearing was opened to questions from the committee.

Upon questions from the committee as to whether anyone would actually develop these water projects if given the authority, Mr. Gross stated he has applied for licenses to develop four state-owned water projects. Mr. Gross stated there are another 40 projects in Montana that have potential for development. Mr. Gross stated he had written answers to some of Senator Gage's questions and submitted these answers to the committee (Exhibit 3). Senator Gage asked when these projects would be eligible for the federal tax credit. Mr. Gross explained the tax credit will be available for all projects licensed in 1985. The projects must then be completed and producing electricity by the last day of 1988. Mr. Gross stated the major problem is that it can take up to one year to obtain a license. Upon question from Senator Gage, Mr. Gross stated the royalties to the State from these projects would be paid at a fair market value that would probably be six to twelve percent of the gross proceeds, but this royalty would not be the only source of revenue from these projects.

Senator Anderson stated it is his belief the passage of SB272 would have a bad effect on projects currently in the mill. Pete Gross stated no one has offered to develop these projects,

ROLL CALL

Natural Resources

COMMITTEE

48th LEGISLATIVE SESSION -- 1985

Date 02/13/85

NAME	PRESENT	ABSENT	EXCUSED
ECK, Dorothy (Chairman)	✓		
HALLIGAN, Mike (Vice Chairman)	✓		
WHEELING, Cecil	✓		
MOHAR, John	✓		
DANIELS, M. K.	✓		
FULLER, David	✓		
CHRISTIAENS, Chris	✓		
TVEIT, Larry	✓		
GAGE, Delwyn	✓		
ANDERSON, John	✓		
SHAW, James	✓		
HARDING, Ethel	✓		

Each day attach to minutes.

118

DATE

02/385

COMMITTEE ON

VISITORS' REGISTER

NAME

REPRESENTING

BILL #

Check One

Support

Oppose

Geo. Ochenski

ENV. INF. CENTER

178/238

Pat Melby

Mont. Oil & Gas Ass'n

HB 96

Franz Hayden

Geo. Office

HB 258

Mona Anderson

Shell ~~Co~~ Nucleo E+P

HB 96

D. Van Rensselaer

Montana Petroleum

HB 96

J. Peter Gross

Mt. Small HYDRO ASSOC.

HB 272

LADD PETROLEUM CORPORATION

1004 Division Street
P.O. Box 31238
Billings, MT 59107-1238
Telephone (406) 245-8444

JAN 23 REC'D

January 22, 1985

Mr. D. Van De Graaff
Montana Petroleum Association
2030 - 11th Avenue, Suite 23
Helena, MT 59601

Re: House Bill No. 96

Dear Van:

This letter is written in protest of HB No. 96 which in its present form would require that interest be paid on royalties that are not paid within sixty (60) days of marketing.

In our normal course of business, the sixty (60) days is unfair where new crude oil is discovered and marketed. I would like to review with you the procedure that we must follow in the typical case where new crude oil production is established.

1. In this day and age, there are usually several companies that have a working interest within the spaced unit for a given well. Some may join in the drilling and others may farmout. Farmout Agreements provide that the drilling parties may request an assignment from the non-drilling parties after it has been determined that the well is capable of commercial production.

Testing will usually last two to three weeks before it is declared an "oil well", and a completion report is filed with the state. The testing period may take longer if the production is marginal.

2. It usually takes a minimum of two (2) weeks to receive an assignment from non-drilling parties, and the document must then be sent for recording in the county records.
3. After the assignment(s) are recorded, we bring our abstract up to date. This usually takes the abstract company about two (2) weeks.
4. Upon receipt of the updated abstract, we immediately request a Division Order Title Opinion from our attorney. This may take two (2) weeks or so depending upon the complexity of the ownership.

SENATE NATURAL RESOURCES COMMITTEE

EXHIBIT NO. 1

DATE 02/13/85

BILL NO. HB 96

Mr. D. Van De Graaff

January 22, 1985

Page 2

5. When we receive the Division Order Title Opinion, we satisfy any outstanding title requirements, verify addresses and prepare an address list for the crude purchaser. If there were title requirements, we must obtain a Final Division Order Title Opinion from our attorney.
6. The Final Division Order Title Opinion and the address list are then sent to the crude purchaser who prepares and submits Division Orders to the individual mineral or royalty owners. There are some cases where title is questionable, and all Division Orders must be returned before the crude purchaser will disburse funds.
7. There are also some cases where estates must be probated to determine the rightful heirs, but the time frame on this would be up to the family's attorney. There are times when a probate proceeding may take six (6) months to a year, and I assume that this would be exempt from the proposed Bill.

It should also be stated that we have no desire to delay the procedure set forth above because in most cases we also receive no revenue until the Division Order is signed. I feel that 120 days would be more realistic in this Bill.

Thank you for your consideration.

Respectfully,

LADD PETROLEUM CORPORATION



James H. Kerr
Division Landman

Note: I have 20 years experience as an Oil and Gas Landman.

JHK:s1

cc Senator Tom Keating
Mr. Bill Vaughey, Jr.

W. M. VAUGHEY, JR.

P.O. BOX 46
HAVRE, MONTANA 59501-0046
(406) 265-5421

January 31, 1985

The Honorable Gay Holliday
Montana State House of Representatives
Capitol Station
Helena, MT 59620

RE: HB 96 relating to timeliness of royalty payments after marketing
of oil and gas

Dear Representative Holliday:

I am an independent gas and oil producer with offices in Havre since 1968.

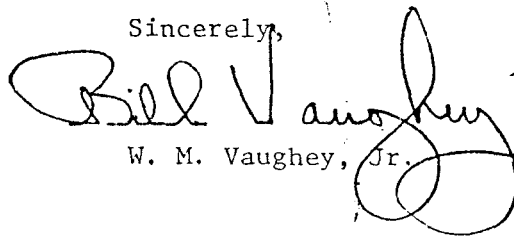
Although we have not met, I was in the gallery when your measure, HB 96, as amended, passed the House unanimously.

I write to heartily endorse this measure to the Senate Taxation Committee which will next consider it.

HB 96, as amended, seems to me to be an excellent mix of fairness to both the land-owners and to the independent producer or major oil company which operates a given oil or gas well.

Ultimately, I hope this measure in the form in which it now passes to the Senate will be signed into law.

Sincerely,



W. M. Vaughey, Jr.

WMV/aks

cc: Senate Taxation Committee

Gary Meland, President,
Montana Land & Mineral Owners Association

Norman Nelson, President
Northeast Montana Land & Mineral Owners Association

DAMSON OIL CORPORATION
P. O. BOX 4391
HOUSTON TEXAS 77210

PAGE

CHECK NO.- 0071095
CHECK DATE- 11/25/84
TAX ID - 81-6001399

Acc'd 27th

7115918 MUSSELSHELL CO OF MONTANA
C/O BOARD OF COUNTY COMMISSION
ROUNDUP MT 59072

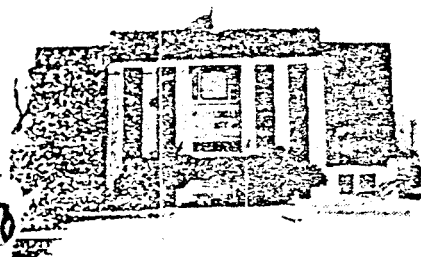
PRODUCT CODES

1 OIL T1	6 CONDENSATE
2 OIL T2	7 CONDENSATE
3 OIL T3	8 HEAVY OIL
4 PLT PROD-WPT WTHHLD	G GAS
5 CONDENSATE T1	P PLANT PRODU
	C CASINGHEAD

PLEASE RETAIN STATEMENT
INCOME TAXES. DUPLICATE
CANNOT BE FURNISHED.

NOTE: FOR EACH PROPERTY, THE LINE SHOWING SALE DATE REPRESENTS PROPERTY TO
* ALL LINES HAVING AN ASTERISK REPRESENT THE OWNERS SHARE OF THE PROPERTY VALUE
THE SUM OF ALL ASTERISKS WILL EQUAL THE CHECK AMOUNT.

SALE P PRICE/ DATE C MCF/BBL	VOLUME	GROSS VALUE	TAXES	DEDUCTS	NET VALUE
MT-001-54-01-000 R	KEG COULEE TYLER UNIT (WELLS 4 RI	.06250000			
0184 1 28.85	508.13-	14,657.06-	891.15-	.00	13,765.91
	31.75-	916.06-	.00	.00	916.06
0184 1 28.65	508.13	14,657.06	923.50	.00	13,733.56
	31.75	916.07	.00	.00	916.07
0284 1 28.74	410.30-	11,792.20-	775.93-	.00	11,016.27
	25.64-	737.00-	.00	.00	737.00
0284 1 28.74	410.30	11,792.20	743.00	.00	11,049.20
	25.64	737.01	.00	.00	737.01
0384 1 28.71	399.67-	11,474.72-	755.03-	.00	10,719.69
	24.97-	717.16-	.00	.00	717.16
0384 1 28.71	399.67	11,474.72	723.00	.00	10,751.72
	24.97	717.17	.00	.00	717.17
0484 1 28.72	374.49	10,757.16	677.78	.00	10,079.38
	23.40	672.33	.00	.00	672.33
			CHECK TOTAL		672.33



County of Musselshell

ROUNDUP, MONTANA

BOARD OF COUNTY COMMISSIONERS

JACK ELLIS
ROY W. McCaffree
HERSHEL M. ROBBINS

FRANCIS L. DAWSON
Clerk & Recorder
WARREN SMITH
Assessor
CLINTON J. MOORE
Treasurer
BRIAN NEIDHART
Sheriff
JOHN L. PRAIRIE
County Attorney
ALICE JOHNSON
Clerk of Court
JOHN R. COOK
Coroner
IRVING DOUGLAS
Public Administrator
EVELYN HATTERSCHE
Justice of the Peace

January 10, 1985

TO: Honorable chairman and committee on Business and Labor

SUBJECT: House Bill # 96--" an act to decrease from 180 days to 60 days the number of days after marketing of oil and gas that an operator must pay royalties to a royalty owner before incurring interest on the unpaid royalties; amending section 82-10-103 MCA".

We, the Musselshell County Commissioners, do hereby give you our backing and full support on the above captioned bill or as amended for the following reasons: HB 96

The oil companies are presently entitled to defer royalty payments for their benefit and to the detriment of state, county, city and other owners in the way of interest earned and lost.

Federal freezes and cutbacks are placing an ever increasing burden on the states, counties and cities.

Sincerely,

Hershel M. Robbins
Hershel M. Robbins, chairman

Roy W. McCaffree
Roy W. McCaffree

Lyle E. Stortz
Lyle Stortz

Proposed amendments to HB 96

Page 2, line 18, following "kind":

Strike: ", "

Insert: "or"

Page 2, line 21, following "payments":

Strike: "."

Insert: "or whenever distribution of royalty payments would be affected by communitization, unitization, or the outcome of a proceeding before a state or federal regulatory agency or court."

SENATE NATURAL RESOURCES COMMITTEE

EXHIBIT NO. 2

DATE 021385

BILL NO. HB96

49

MINUTES OF THE MEETING
SENATE NATURAL RESOURCES COMMITTEE
MONTANA STATE SENATE
March 6, 1985

The sixteenth meeting of the Senate Natural Resources Committee was called to order at 1:05 p.m., by Chairman Dorothy Eck, March 6, 1985, Room 405, State Capitol Building.

ROLL CALL: All members of the Senate Natural Resources Committee were present with the exception of Senator Mohar.

CONSIDERATION OF HB232: Representative Bardanoue, sponsor of HB232, stated the bill is being introduced at the request of farmers and ranchers in northern Montana. In the past, there have not been a substantial number of voters in elections for Water and Sewer District Commissioners. Representative Bardanoue feels if the Commissioners are elected at the same time the school elections are held, the voter turnout will be higher. Representative Bardanoue stated if SB169, a bill introduced by Jim Waltermire, Secretary of State, providing for elections by mail, passes, there will be no need for HB232.

There being no proponents and no opponents, the hearing was opened to questions from the committee.

Upon question from Senator Weeding, Representative Bardanoue stated he has no preference concerning which bill passes.

There being no further questions from the committee, the hearing was closed.

ACTION ON HB232: Senator Fuller moved HB232 BE CONCURRED IN. The motion carried. Senator Shaw questioned whether the committee should hold HB232 until SB169 is heard by the House of Representatives. Senator Christiaens reminded the committee that due to time constraints, it is important the committee not hold any bills.

CONSIDERATION OF HB336: Representative Quilici, sponsor of HB336, stated this bill will remove the requirement that the Pacific Northwest Electric Power and Conservation Planning Council submit an annual report to the Governor and the Legislature. Representative Quilici stated the legislators are currently receiving the annual report, but he wonders how many are actually taking the time to review the report. Upon request, legislators will still be able to receive the report. HB336 will only alleviate the mandatory reporting requirement and will attempt to do away with this portion of the bureaucratic process.

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Mr. Dave Donaldson, representing the Montana Association of Conservation Districts, stated he worked on preparing HB372 with the Department of Natural Resources and Conservation, and he supports HB372.

There being no further proponents and no opponents, the hearing was opened to questions from the committee.

Senator Weeding questioned whether the ten percent requirement for adding land to a conservation district also applied to dissolving a conservation district. Mr. Beck replied it did.

Senator Christiaens inquired how the Department of Natural Resources and Conservation arrived at the ten percent rate of interest referred to on page 6, line 21. Mr. Beck replied that this rate of interest is currently used to collect outstanding judgments. Senator Christiaens feels this rate of interest should be flexible, since interest rates are always fluctuating. Senator Christiaens feels the Department could ask for another increase or decrease in the interest rate at some point in the future, if the interest rate is set at a fixed percentage.

Upon question from Senator Halligan, Mr. Beck explained that the residency requirement is needed, because a person who actually lives in a supervisor area can better represent the people and their concerns. Mr. Beck stated this is particularly a problem in Musselshell County where the officials are usually elected from Roundup, even though the district also includes Golden Valley County. Mr. Beck stated this provision will only affect a few counties.

Senator Shaw inquired where the \$25 paid to Board members will come from. Mr. Beck stated this money will come from the conservation district; however, there never has been a need for a board meeting, so Mr. Beck did not feel this would be a very large expense for the district.

There being no further questions from the committee, the hearing on HB372 was closed.

ACTION ON HB372: Senator Weeding moved HB372 BE CONCURRED IN. The motion carried.

ACTION ON HB336: Senator Shaw moved HB336 BE CONCURRED IN. The motion carried with Senator Halligan voting in opposition.

FURTHER CONSIDERATION OF HB96: Senator Gage expressed the concerns of Representative Holliday to the amendments proposed by Mr. Pat Melby of the Montana Oil and Gas Association. Senator Gage stated that the amendments would provide that royalties not be paid until communitization or unitization is completed.

However, Senator Gage stated the sponsor's intent is to address this concern under section 4, since communitization and unitization involve "disputes" over the amount of minerals or royalties to be distributed to royalty owners or their disignees.

ACTION ON HB96: Senator Gage moved HB96 BE CONCURRED IN.
The motion carried.

FURTHER CONSIDERATION OF HB178: Chairman Eck submitted proposed amendments to HB178 (Exhibit 3) and stated there is much concern about hazardous waste in the State of Montana. Six percent of the Resource Indemnity Trust Fund money is currently earmarked for hazardous waste disposal. Eventually, Chairman Eck feels the generators of hazardous waste should have to pay for disposal of the waste. Chairman Eck feels the proper way to handle this is by requiring that a portion of the fees collected be used to offset the expense. Chairman Eck introduced Mr. Duane Robertson.

Mr. Duane Robertson, Chief of the Hazardous Waste Bureau, Department of Health and Environmental Sciences, feels there is a need to set up a transfer and collection procedure for the State of Montana. Mr. Robertson feels that by passing HB178, Montana will be assured waste is being disposed of properly. In addition, private individuals would get a disposal rate much cheaper than what they would have to pay if they had to arrange for disposing the waste themselves. Mr. Robertson cautioned that a high fee could lead to improper disposal of wastes by individuals trying to avoid the fee.

Upon question from Senator Shaw, Mr. Robertson stated used oil will fall into the category of hazardous waste, but it is only a matter of time before the federal government will put a ban on this type of waste. Mr. Robertson also feels it is only a matter of time before Montana will no longer be able to depend on out-of-state dumping facilities and will have to build a dumping facility of its own.

Upon question from Chairman Eck, Mr. Robertson stated because collection, transportation and disposal of hazardous wastes are expensive, recycling certain wastes will be encouraged.

Senator Halligan inquired whether the Department's definition of "hazardous waste facility" is broad enough to include not only collection and transportation of hazardous wastes, but also a disposal facility when Montana is required to construct such a facility. Mr. Robertson replied the definition includes both types of facilities.

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ROLL CALL

Natural Resources

COMMITTEE

48th LEGISLATIVE SESSION -- 1985

Date 030685

SENATE
SEAT
#

NAME	PRESENT	ABSENT	EXCUSED
<u>ECK, Dorothy (Chairman</u>	✓		
<u>HALLIGAN, Mike (Vice Chairman)</u>	✓		
<u>WHEEDING, Cecil</u>	✓		
<u>MOHAR, John</u>		✓	
<u>DANIELS, M. K.</u>	✓		
<u>FULLER, David</u>	✓		
<u>CHRISTIAENS, Chris</u>	✓		
<u>TVEIT, Larry</u>	✓		
<u>GAGE, Delwyn</u>	✓		
<u>ANDERSON, John</u>	✓		
<u>SHAW, James</u>	✓		
<u>HARDING, Ethel</u>	✓		

Each day attach to minutes.

STANDING COMMITTEE REPORT

MARCH 6, 1985

MR. PRESIDENT

We, your committee on NATURAL RESOURCES

having had under consideration HOUSE BILL No. 96

THIRD reading copy (blue)
(Gage) color

**OIL AND GAS OPERATOR MUST PAY INTEREST ON UNPAID ROYALTIES 60 DAYS
AFTER DUE**

Respectfully report as follows: That HOUSE BILL No. 95

BE CONCURRED IN

XXXXXXS

XXXXXXXXXX

SENATOR DOROTHY ECK

Chairman.

HOUSE BILL NO. 96
INTRODUCED BY HOLLIDAY

A BILL FOR AN ACT ENTITLED: "AN ACT TO DECREASE FROM--180
DAYS--TO--60--DAYS THE NUMBER OF DAYS AFTER THE MARKETING OF
OIL AND GAS THAT AN OPERATOR MUST PAY ROYALTIES TO A ROYALTY
OWNER BEFORE INCURRING AN ADDITIONAL OBLIGATION TO PAY
INTEREST ON THE UNPAID ROYALTIES; AMENDING SECTION
82-10-103, MCA."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 82-10-103, MCA, is amended to read:

"82-10-103. Obligation to pay royalties as essence of
contract -- interest. (1) The obligation arising under an
oil and gas lease to pay oil or gas royalties to the royalty
owner or his assignee, to deliver oil or gas to a purchaser
to the credit of such royalty owner or his assignee, or to
pay a portion of the proceeds of the sale of such oil or gas
to the royalty owner or his assignee is of the essence in
the lease contract.

(2) If the operator under an oil and gas lease fails
to pay oil or gas royalties to the royalty owner or his
assignee within ~~180~~ 60 120 days after THE INITIAL oil or gas
produced under the lease is marketed AND WITHIN 60 DAYS FOR
ALL OIL AND 90 DAYS FOR ALL GAS PRODUCED AND MARKETING

THEREAFTER, the unpaid royalties thereafter WILL bear
interest, at the maximum rate of interest authorized under
31-1-107 from the date due until paid. The operator may
remit semiannually to a person entitled to royalties the
aggregate of 5 months' royalties whenever the aggregate
amount is less than \$50 AND ANNUALLY WHENEVER THE AGGREGATE
AMOUNT IS LESS THAN \$10.

(3) A royalty owner seeking a remedy for failure to
make payments under the lease or seeking such payments under
this section shall bring his action in the district court
for the county in which the oil or gas well is located, and
that court has jurisdiction over any such actions brought
under this section. The prevailing party in any proceeding
brought under this section is entitled to recover his court
costs and reasonable attorney fees.

(4) This section does not apply if a royalty owner or
his assignee has elected to take his proportionate share of
production in kind or whenever there is a dispute as to the
title of the minerals or entitlement to royalties, the
outcome of which would affect distribution of royalty
payments."

-End-

REFERENCE BILL